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Summary of Major Management Challenges Facing Interior				
Major Management Challenge	Description	New or Carryover from FY 2003	Interior Actions to Date	Status at end of FY 2004
Financial Management	Sound financial management is critical to providing accurate financial information, managing for results, and ensuring operational integrity. Although the Department has made some progress, internal control weaknesses continue to hinder DOI financial management reporting and related systems.	Carryover	<p>The Department has several initiatives aimed at improving financial management, most notably: the Financial and Business Management System (FBMS), and Activity Based Costing/Performance Management (ABC/PM). While these initiatives should upgrade financial management in the future, they are placing increased demands on already stretched financial resources.</p> <p>• <b>Financial and Business Management System</b> In 2003, DOI launched a comprehensive plan to transform its financial management functions and create a world-class financial management structure. The cornerstone of the Department's plan to transform financial management is the FBMS, which will replace a variety of outdated, stand-alone, mainframe-based systems. Computer Labs have been set up to enable staff to test the new FBMS software. In addition, a capstone business case is being prepared for FBMS that will discuss other systems that will be retired. About 160 systems will be affected by the implementation of the FBMS, and currently, 80 of those systems have been identified for retirement.</p> <p>FBMS will be phased into implementation over the coming years, starting in FY 2005 and continuing through FY 2008. Successful implementation of FBMS will be key to addressing DOI's financial management challenges.</p> <p>• <b>Activity-Based Costing/Performance Management</b> Activity-Based Costing/Performance Management comprises management tools that will help DOI better understand the costs of conducting business because it allows management to examine how program activities consume resources and produce outputs. Formal Department-wide ABC/PM implementation started in October 2003, when DOI employees began documenting their time, purchases, travel related costs, and training to the work activities they performed. Employees used the time and attendance systems, financial data recording processes, and methodologies specified by their bureaus/offices to capture time and expenses against work activities to record outputs. Because DOI is so early in the implementation process, it is difficult to assess how effective the implementation of ABC/PM has been. DOI will monitor the implementation of ABC/PM and make modifications, as necessary, to ensure that ABC/PM provides useful information.</p>	Ongoing

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Information Technology	<p>The Department has made information technology (IT) security maintenance a high priority for all bureaus. DOI is continuing to make substantial progress in strengthening IT security. Sound guidance has been provided to bureaus and offices regarding desired implementation of IT security requirements. Although substantial improvements have been made and sound operations are prevalent, some DOI entities do not fully comply with all Federal financial management systems requirements specified in OMB Circular A-130, "Management of Federal Information Resources." Therefore, as a whole, the Department does not fully comply with, or meet the objectives of, Section 4 of the Federal Financial Management Improvement Act and OMB Circular A-127, "Financial Systems." The Department has implemented a remediation plan to resolve remaining material weaknesses and expects to complete corrective actions in FY 2005.</p>	Carryover	<p>DOI has significantly improved its information security program, as demonstrated by the increase in the percentage of systems that were certified and accredited from 6% in 2003 to 98% in 2004. To foster this effort, the Department has invested more than \$100 million in its security program over the past three years. Based on these efforts, DOI believes that its information security program generally meets the requirement of FISMA and that most of its information systems have levels of security to safeguard Department information and related assets.</p> <p>DOI has made efforts to further (1) improve the IT business cases; (2) prioritize IT investments; and (3) develop a strategy to fund enterprise IT investment. DOI is continuing to make progress in strengthening IT security. For example, DOI has developed an information technology security program that meets the financial accounting systems application and general control requirements of the Federal Information Security Management Act. DOI evaluated the perimeter security of its computer systems on a monthly basis and currently shows zero potential vulnerability when measured against an industry standard. Also, DOI has established security processes and documentation for its Indian Trust systems.</p>	Ongoing

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Health, Safety, and Emergency Management	Annually, DOI has nearly 260 million visits to national parks, 68 million visits to public lands, and 39 million visits to national wildlife refuges. In addition, there are 90 million visitor days of use at 308 Bureau of Reclamation (BOR) recreation sites. Accordingly, DOI must protect these visitors, hundreds of thousands of employees and volunteers, thousands of facilities, and millions of acres of property from both internal and external threats. The physical isolation of some DOI lands and facilities increases their vulnerability to threats and inhibits DOI's response time.	Carryover	<p>In summary, DOI's areas of concern and actions have been focused on the following areas:</p> <p><b>Radio Communications</b> Effective radio communications are critical to employee and public safety and the efficient management of the parks and public lands. The current wireless telecommunications program in some bureaus does not effectively support bureau and public safety operations, does not comply with Departmental management directives, and is not funded to achieve timely compliance. The Department has developed and commenced implementation of a plan to meet employee and public safety objectives; restore program efficiency by reviewing bureau Narrowband Capital Investment and Implementation Plans; revise plans to maximize radio system sharing and minimize supporting infrastructure requirements; and ensure maximum use of alternative wireless services by FY 2005.</p> <p><b>NPS's Structural Fire Program</b> The Structural Fire Program has not provided adequate protection of employees and visitors, structures, and resources from the effects of fire as required by Director's Order No. 58. NPS has developed and made substantial progress in implementing a comprehensive structural fire program plan as directed by Congress. The plan includes specific milestones to address the operational, organizational, technical, and staffing deficiencies.</p> <p><b>NPS's Hazardous Material Program</b> In FY 2003, DOI reported that the lack of an adequate oil and hazardous material incident preparedness and response program seriously endangered the safety of the public, employees, and park resources. NPS has developed and made substantial progress in implementing a comprehensive corrective action plan to ensure full and complete compliance with applicable laws, regulations, Executive orders, and policies to ensure the safety of the public, employees, concessionaires, and park resources.</p> <p><b>Security Surrounding National Icons</b> Security surrounding the National Park Service's Icon Parks is a key focus of the Department's Homeland Security efforts. The Office of Law Enforcement and Security (OLES) has installed a security professional and has been involved with the implementation of homeland security and related Departmental policies. However, NPS has yet to put in place a security professional or embrace many of the recommendations presented by OLES to enhance security because funding for enhanced security competes with other park projects. DOI will focus on providing the appropriate balance for these competing priorities.</p> <p><b>DOI Law Enforcement</b> OLES and the bureaus have been working towards implementing 25 Secretarial directives to improve law enforcement. There has been some progress in improving the oversight and coordination of the law enforcement programs. Each bureau now has senior-level law enforcement managers in place and an internal affairs office to address integrity-related issues. Also, a Department-wide policy to provide guidance on internal affairs will be issued.</p>	Ongoing

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Maintenance of Facilities	DOI owns, builds, purchases, and contracts services for assets such as visitor centers, schools, office buildings, roads, bridges, dams, irrigation systems, and reservoirs. According to the January 2003 Government Accountability Office (GAO) report titled, "Major Management Challenges and Program Risks, Department of the Interior," DOI needs to more aggressively address the deferred maintenance backlog because the deterioration of facilities can adversely impact public health and safety, reduce employee morale and productivity, and increase the need for costly major repairs or early replacement of structures and equipment. DOI has undertaken facility condition assessments throughout all bureaus. These assessments are producing a facility condition index for each facility and, in the aggregate, for different facility categories. This index provides a measure of whether facilities are in acceptable condition or have a backlog of maintenance needs.	Carryover	<p>DOI has embarked on a comprehensive approach to maintenance management that includes implementation of a comprehensive maintenance management system to effectively plan, prioritize, conduct, and track the condition and maintenance of facilities within all bureaus, especially NPS, and provide long-term leadership to keep money available to address the long-standing issues of deferred maintenance. The key elements of that plan and status at the end of FY 2004 are as follows:</p> <ul style="list-style-type: none"> <li>• Identify and implement a comprehensive maintenance management system with an appropriate linkage to the accounting system (completed);</li> <li>• Conduct comprehensive condition assessments (5-year plan for assessments underway – approximately 73 percent completed);</li> <li>• Make determinations to repair, replace, or relocate facilities (underway);</li> <li>• Develop a 5-year Deferred Maintenance Plan and Capital Improvement Plan (completed and updated annually); and</li> <li>• Repair, replace, and relocate facilities to good condition, and reduce deferred maintenance to established goals (underway).</li> </ul> <p>DOI has adopted a computer-based facilities maintenance management system, which it tested at multiple locations, and implementation will be completed in FY 2005. The Department has been assessing the condition of facilities, developing a 5-year maintenance plan, and establishing goals to reduce the deferred maintenance backlog. Also, DOI has established a Facilities Management Systems Partnership (FMSP) that provides a forum for the Department and its facilities managing bureaus to coordinate the development and use of facilities management systems. While the FMSP has made demonstrable strides in developing a framework within which to address facilities management issues, deferred maintenance in the Department remains a material weakness and an enormous challenge to be managed.</p>	Ongoing

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Responsibility to Indians and Insular Areas	DOI needs to address persistent management problems in programs for Indians and island communities. DOI is responsible for administering the Federal government's trust responsibilities to Indian Tribes and individual Indians, and it provides more than \$750 million annually for basic Tribal services, such as social services, Tribal courts, and natural resource management. In addition, over the years, GAO and OIG have reported on DOI's management of Indian trust funds and programs. Despite DOI's efforts, inadequate accounting and information systems and internal controls prevent DOI from completely ensuring that trust and program funds are properly managed. Further, DOI has various responsibilities to seven island communities - four U.S. territories and three sovereign island nations. The Insular Area governments have serious long-standing financial and program management deficiencies.	Carryover	<p><b>Indian Affairs</b></p> <p><b>Indian Trust Records</b> - The independent certified public accounting firm of KPMG LLP, under contract with the Office of Special Trustee for American Indians (OST), rendered qualified opinions on OST's FY 2003 and FY 2004 financial statements. KPMG qualified its opinion because of internal control inadequacies in certain trust-related systems and procedures which provide required financial/trust information for OST. Also, KPMG noted that certain parties for whom OST holds monetary assets in trust do not agree with the balances recorded by OST, and have either filed or are expected to file claims against the U.S. Government, or have filed a request for an accounting which may or may not lead to claims against the U.S. government.</p> <p>DOI 's conversion to a commercial trust fund accounting system and the implementation of enhanced OST management controls have helped ensure that all trust funds we account for are properly collected. Historical accounting methods and existing system of controls are being strengthened to ensure that BIA ownership and distribution information is correct. The Department will continue to improve its trust policies, procedures, systems, and internal controls and provide training to achieve the goals of the Comprehensive Trust Management Plan by FY 2006.</p> <p><b>Indian Country Detention Facilities</b> - In September 2004, the OIG informed the Department of the deplorable conditions existing at some of the detention facilities that may lead to life-threatening situations and management deficiencies in the Office of Law Enforcement Services detention program. DOI is assisting the BIA in immediately developing and implementing an action plan to address and alleviate the potentially life-threatening situations at its detention facilities and improve detention program management.</p> <p><b>Native American Schools</b> - BIA funds or operates schools in 23 States, providing education services to about 48,000 students that attended 184 elementary and secondary schools and dormitories at the outset of FY2004, and supports 29 Tribally controlled community colleges, universities, and post-secondary schools. A significant number of the schools built in the 1940s and 1950s have been poorly maintained, with inadequate roofing and floors, plumbing, heating, and lighting. They are also obsolete and lack critical capabilities such as science and computer labs.</p> <p>To address the problem of inadequate facilities, Congress increased funding to replace and repair American Indian Schools. Six of the seven replacement projects funded from FY 1998 through FY 2000 have been completed and one is awaiting Certificate of Occupancy. Of the thirteen replacement projects funded in FY 2001 and FY 2002, five schools are completed, seven schools are in construction and one school is in design. Of the fourteen replacement projects funded in FY 2003 and FY 2004, one school is complete, two are in construction, and the remaining ten are in Planning or Design phase. BIA is also making significant progress in addressing the Indian school maintenance backlog by providing for a total of 19 facilities improvement and repair projects from FY 2003 to FY 2004.</p>	Ongoing

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			<p>DOI's FY 2004 budget included \$294.9 million for school construction which provided funding for 8 replacement school projects as well as several major improvement and repair projects at Indian schools. The FY 2004 funding improved the facility condition index for BIA schools to .124 with 106 schools or 58% in fair or good condition as compared with 91 or 48% in fair or good condition in FY 2003. The FY 2004 budget also included \$520.6 million in school operations funding to continue to address the President's commitment to "Leave No Child Behind."</p> <p><b>Insular Affairs</b>  Insular Area governments generally lack the standard business practices essential to financial accountability. OIG audits have identified serious administrative and accounting deficiencies, including property management practices that were not sufficient to satisfactorily account for and safeguard equipment purchased with grant funds; improper procurement practices that allowed purchases without competition; poor records management; inadequate accounting practices that resulted in questioned costs, incorrect grant balances, and poor reporting practices to the Office of Insular Affairs (OIA) that unnecessarily delayed projects.</p> <p>Although the OIG is authorized to audit all revenues and expenditures of Insular Area governments, DOI does not have the authority to enforce audit findings and recommendations for funds provided by other Federal agencies or for funds provided by DOI that have Federally imposed entitlement conditions. While OIA has taken steps to strengthen controls over its grants, OIG's follow-up audits highlighted the necessity of continuing to urge other Federal agencies providing funds to the Insular Areas to become more involved in monitoring these funds and ensuring their proper use.</p> <p>DOI has reviewed and implemented improvements in the process used by the OIA to award and monitor grants to Insular Areas. OIA awards over \$50 million in grants each year that provide Insular Areas with technical and financial assistance to develop more dynamic economies and improve the quality of life for the citizens. While OIA properly processed grants, weaknesses in monitoring grants resulted in public projects that were not completed on time, essential services that were delayed or not provided at all, and Federal monies that were wasted.</p>	

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Resource Protection and Restoration	<p>DOI resource managers face the challenge of balancing the competing interests for use of the Nation's natural resources. DOI manages 507 million acres, or about one-fifth, of the land area of the United States and 700 million acres of subsurface minerals. Federal lands account for 30 to 35 percent of energy produced in the United States. DOI has jurisdiction over an additional 1.76 billion acres of the Outer Continental Shelf. In addition, DOI manages 542 national wildlife refuges, 388 units of the national park system, 70 national fish hatcheries, 15 national monuments in the national landscape conservation system, and 13 national conservation areas.</p> <p>Major contributors to the challenge of effective resource management include increased population, environmental issues, shortages of resources such as water, oil and gas, and demands for more recreational areas. DOI faces challenges in implementing policy goals for repairing and maintaining ecosystems within budget limitations. Of special concern are wildfires, water allocations, a changing land and recreation base, and invasive (non-native) species.</p>	Carryover	To achieve its Department-wide mandate for protecting and preserving the natural resources under its management, DOI has developed long-term goals of restoring the health of public lands and maintaining ecosystems. The Department has made significant progress in restoring significant national ecosystems to health by (1) addressing the growing wildland fire threat to communities and resources caused by the excessive buildup of fuels in forested ecosystems, such as those located in the interior Western States; (2) restoring the South Florida ecosystem, which includes the Everglades; and (3) controlling and eradicating invasive non-native species.	Ongoing

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Revenue Collections	DOI annually collects from \$6 to \$11 billion in revenues from energy, minerals, grazing, timber, lands sales, and other revenue producing activities. The highest revenue collector in DOI is MMS, which annually collects more than \$6 billion in mineral revenues from more than 84,260 onshore and offshore Federal leases. Since 1982, the MMS Minerals Revenue Management Program has collected and distributed approximately \$127 billion to Federal, State, and Indian accounts. The MMS also conducts a comprehensive compliance effort to ensure that royalty payments from lessees are on time and accurate. Because of the amount of collections and the significant potential for underpayments, the OIG believes that revenue collections should be a management challenge for the Department.	Carryover	MMS has implemented comprehensive systems and other program improvements to address OIG audit concerns with the Minerals Revenue Management Program. MMS has assisted the OIG with investigations which have uncovered multi-million dollar royalty underpayments. One recent investigation resulted in a \$49 million settlement agreement with a major oil company for failure to pay royalties on natural gas production from offshore leases.	Ongoing
Procurement, Contracts, and Grants	DOI spends substantial resources each year in contracting for goods and services and in providing Federal assistance to States and Indian organizations. Managing procurement activities is an unending challenge requiring constant attention.	Carryover	DOI has developed and implemented comprehensive plans to continue to address OIG-identified deficiencies such as: <ul style="list-style-type: none"> <li>• BIA's acquisition management organization, policies, procedures, and guidelines;</li> <li>• The lack of management supervision by DOI bureaus and offices over purchases made with credit cards; and</li> <li>• Contract administration for construction projects such as the 12 procurements for interrogation, intelligence, logistics, and security services valued at \$81 million placed by the Southwestern Branch of the National Business Center's Acquisition Services Division (NBC) which were made under General Services Administration (GSA) schedules for Information Technology and Professional Engineering Services.</li> </ul>	Ongoing